

Message Text

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ACTION SS-25

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C O N F I D E N T I A L CARACAS 9807

EXDIS

FOR ASSISTANT SECRETARY ROGERS

EO 11652 XGDS
TAGS: ENRG, VE
SUBJ: TALKING POINTS FOR FRIDAY MEETING
REF: STATE 223613

1. WITH RESPECT TO MR LEIGH'S PRESENTATION, I CAN ONLY SAY AGAIN THAT I DO NOT PERCEIVE IN THE VENEZUELAN CASE ANY EFFECTIVE WAY THAT THE COMPANIES CAN REGISTER RESERVATIONS OF THEIR RIGHTS. ALTHOUGH THE GOV IS WELL AWARE THAT THE COMPANIES LOOK ON THE PROSPECTIVE CONTRACTUAL ARRANGEMENTS AS REPRESENTING A FORM OF PARTIAL COMPENSATION FOR THE LOSS OF THEIR CONCESSIONS, THE GOV COULD NOT UNDER ANY CIRCUMSTANCES ACCEPT THAT CONCEPT AS SUCH. THE GOV IS BOUND BY THE NATIONALIZATION LAW--A LAW THAT DEFINES COMPENSATION MOST PRECISELY. AS GULF'S EXPERIENCE INDICATES, THE GOV WILL REJECT ANY ATTEMPT TO GO BEYOND THE LANGUAGE OF THE LAW, EVEN IN TERMS OF SIMPLE DISCUSSION.

2. YOUR OWN PROJECTED PRESENTATION STRIKES THE RIGHT NOTE. HOWEVER, THE EMPHASIS ON ARTICLE 5 AS OPENING THE WAY FOR "COLLABORATION" IS NOT QUITE ACCURATE. AS WE HAVE POINTED OUT, THE CONTRACTS NOW UNDER NEGOTIATION ARE UNRELATED TO ARTICLE 5. NEITHER THE COMPANIES NOR THE GOV HAVE ANY CURRENT INTEREST IN THE MIXED-ENTERPRISE CONCEPT ESTABLISHED BY ARTICLE 5. YOU CAN SAY THAT THE GOVT'S FIGHT TO PRESERVE ARTICLE 5 WAS SYMBOLICALLY IMPORTANT IN DEMONSTRATING ITS DETERMINATION TO CARRY OUT THE NATIONALIZATION PROCESS IN A SERIOUS FASHION
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AS AGAINST THOSE WHO SOUGHT TO CONVERT IT INTO A NATIONALISTIC

ASSAULT ON THE TIES BETWEEN VENEZUELA'S PETROLEUM INDUSTRY AND
THE INTERNATIONAL COMPANIES.

3. I WOULD ALSO BE INCLINED IN YOUR PLACE TO TAKE DUE NOTE OF
THE FACT THAT SOME OF THE COMPANIES (E G MOBIL) DO HAVE
DIFFICULT PROBLEMS. WE ARE FOLLOWING THE DISCUSSIONS OF THESE
PROBLEMS CLOSELY AND STAND READY AT ANY TIME TO CONSULT
WITH THE COMPANIES ABOUT THEM.
SHLAUDEMAM

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